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TOT: 182112Z DEC 98

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182113Z LANGLEY 201443

TO: CIA OFFICE #5 INFO CIA OFFICE #2

FROM:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: PROPOSAL TO APPROACH IRANIAN SUBJECT 1 IN THE CP 1 OPERATION

REF: 201804Z NOV 98.

TEXT:

1. ACTION REQUIRED: COMMENTS PER BELOW.
2. AS DISCUSSED WITH MANAGEMENT DURING MR. S.'S RECENT TRIP, CP WOULD LIKE TO SUGGEST THAT WE APPROACH IRANIAN SUBJECT 1 IN THE CP 1 OPERATION. THIS OPERATION IS DESIGNED TO INTRODUCE FLAWED-BUT-AUTHENTIC-LOOKING PLANS FOR A NUCLEAR WEAPONS FIRE SET INTO THE IRANIAN PROGRAM, WITH THE INTENTION OF ENCOURAGING THE IRANIANS TO INVEST CONSIDERABLE TIME, MONEY AND EFFORT IN PURSUING THIS TECHNICAL DEAD END. DEPENDING ON HOW THE CASE DEVELOPS, WE MIGHT ALSO OBTAIN VALUABLE INFORMATION ON THE IRANIAN NUCLEAR WEAPONS PROGRAM AND SUCCEED IN PARTIALLY DISCREDITING FORMER SOVIET NUCLEAR TECHNOLOGY AS WELL.
3. OVER THE PAST TWO YEARS CP DIVISION HAS USED THE EXPERTISE OF A FORMER SOVIET FIRE SET DESIGNER, HUMAN ASSET 2 (HA 2) -
TO DEVELOP DETAILED PLANS FOR A CURRENTLY DEPLOYED RUSSIAN FIRE SET, THE TBA-480. THESE PLANS HAVE IN TURN BEEN CORRUPTED BY THE NATIONAL LABORATORY (LAB) SO THEY STILL LOOK GENUINE BUT WILL NEVER WORK. CIA OFFICE #2 ASSET MERLIN (M) IS ANOTHER FORMER SOVIET NUCLEAR WEAPONS ENGINEER, AND WAS INVOLVED WITH THE ASSEMBLY OF THE DEVICES AT ARZAMAS-16. HE HAS BEEN TRAINED AND VETTED OPERATIONALLY AND WILL BE THE VEHICLE FOR INTRODUCING THE FIRE SET DESIGN TO THE IRANIANS, CITING HIS TRUE BACKGROUND AND A LEGEND ABOUT SERVING AS AN INTERMEDIARY FOR THE (UNNAMED AND UNAVAILABLE) HA 2. M HAS RAISED HIS PROFILE WITH IRANIAN NUCLEAR-RELATED INDIVIDUALS AND INSTITUTIONS BY MAIL, INTERNET AND CONFERENCE ATTENDANCE FOR THE PAST YEAR, AND HAS NOW BEEN TRAINED ON THE FIRE SET PLANS.
4. WE BELIEVE THAT IRANIAN SUBJECT 1 IS AN IDEAL CANDIDATE FOR AN APPROACH BY M, GIVEN HIS NEW PUBLIC POSITION AND WHAT WE KNOW ABOUT HIS ROLE IN THE IRANIAN COVERT WEAPONS PROGRAM. REF INDICATED THAT HE

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ANTICIPATED ARRIVING IN VIENNA IN MID-DECEMBER TO ASSUME HIS NEW DUTIES.

THIS WILL BE ESSENTIALLY A WALK-IN SCENARIO, BUT M WILL HAVE COPIES OF HIS NUMEROUS EXCHANGES WITH IRANIAN ENTITIES AND WILL EXPLAIN THAT HE HAS BEEN LOOKING FOR JUST THE RIGHT PERSON TO APPROACH WITH HIS REAL OFFER, SOMETHING HE COULD NOT DO OVER THE NET. HE WILL HAND OVER THE FIRE SET PLANS AND A PARTS LIST, SAYING THAT THEY ARE LIKE THE DEMONSTRATION VERSION OF SOFTWARE, ACCURATE BUT INCOMPLETE. IF THE IRANIANS WANT THE REST OF THE STORY THEY CAN CONTACT HIM VIA HIS P.O. BOX AND THEN PAY HIM HANDSOMELY. IN FACT, WE WILL BE SATISFIED IF IRANIAN SUBJECT 1 SIMPLY ACCEPTS THE STORY AND THE PLANS AND SENDS THEM BACK FOR STUDY, SINCE THIS WILL BE A SUCCESSFUL PLANT OF DISINFORMATION. MORE OPTIMISTICALLY, THE IRANIANS MAY DECIDE TO COME BACK TO M WITH QUESTIONS AND ASK FOR FUTURE MEETINGS, WHICH WOULD PROVIDE US VALUABLE INFORMATION ABOUT THEIR M.O. AND PERHAPS FURTHER INDICATIONS OF WHERE EXACTLY THEY ARE IN THEIR NUCLEAR WEAPONS PROGRAM. THE MAJOR HURDLE HERE IS THAT NEITHER WE NOR M WANT HIM TO GO TO IRAN, WHICH WOULD ALMOST CERTAINLY BE THEIR REQUEST, BUT IF WE HAVE PLANTED THE INFORMATION AND STRUNG THEM ALONG A BIT BEFORE FACING THIS ISSUE WE WOULD BE PREPARED TO LET THE OPERATION END AT THAT POINT IF NECESSARY.

5. THESE ARE PRELIMINARY THOUGHTS ABOUT AN APPROACH TO IRANIAN SUBJECT 1 AND OF COURSE SUBJECT TO EXTENSIVE REFINEMENT. WE WELCOME CIA OFFICE #5 INPUT, PARTICULARLY IN REGARD TO THE BEST WAY TO FIND AND MEET IRANIAN SUBJECT 1 IN A NON-ALERTING WAY

ANY PUBLICATION OR INTERNET MENTION OF HIS NEW JOB WOULD BE PARTICULARLY HELPFUL TOWARDS EXPLAINING HOW M FOUND HIM.

6. FILE: CP 1

CL BY: ID # , CL REASON: 1.5 (C); DECL ON: X1; DRV FROM:

CABLETYPE:

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RELNO: 000000590

ORIG: CP, (MR. S.); AUTH: CIA OFFICER 5 ; COORD: JEFFREY STERLING, TELECORD 18 DEC, TELECORD 18 DEC; REL: DAVID SHEDD ; CL BY ID #

END OF MESSAGE

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TOR: 192138Z JAN 99 CIA OFFICE #2 6899~~SECRET~~ 192137Z JAN 99

CITECIA OFFICE #26899

TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 12 JAN MEETING

REF: NONE

TEXT:

1.

2. ON 12 JAN 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT AN UPPER WEST SIDE HOTEL IN MANHATTAN. DURING THE TWO AND A HALF HOUR HOTEL ROOM MEETING, M UPDATED STERLING ON THE ONGOING YET SOMEWHAT SLOW EFFORT ON M'S PART TO ESTABLISH CONTACT WITH IRANIANS WHO MAY BE INTERESTED IN HIS BACKGROUND. THE REMAINDER OF THE MEETING WAS USED TO ESTABLISH RAPPORT. THERE WERE NO INCIDENTS BEFORE, DURING OR AFTER THE MEETING. STERLING SCHEDULED THE NEXT MEETING FOR 2 FEB.

3. M REPORTED THAT DURING HIS INTERNET SEARCHES, HE CAME ACROSS A WEB SITE FOR IRANIAN INSTITUTION 1. WITHIN THE IRANIAN INSTITUTION 1 SITE, HE FOUND INFORMATION ON AN ORGANIZATION. M WAS UNSURE WHAT THE PURPOSE OF THIS ORGANIZATION WAS, BUT HE SENT TWO INTRODUCTION EMAILS TO BOTH THE DIRECTOR AND ANOTHER INDIVIDUAL. M COULD NOT RECALL THE NAMES OF THE INDIVIDUALS. HE TOLD C/O THAT HE COMPOSED THE EMAIL MESSAGES THROUGH USING LINKS TO THEIR EMAIL ADDRESSES. HE ADDED THAT HE WILL DO ADDITIONAL RESEARCH TO GATHER MORE INFORMATION ON THIS ORGANIZATION. TO DATE, M HAS NOT RECEIVED ANY RESPONSES TO THOSE TWO INQUIRIES.

4. M PROVIDED C/O WITH A COPY OF A RESPONSE TO A 27 DEC 98 INQUIRY HE SENT TO IRANIAN INSTITUTION 2. ON 27 DEC 98 M WROTE:

"DEAR SIR/MADAM:
I AM AN EXPERIENCED RESEARCHER WITH MANY YEARS OF EXPERIENCE IN

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FOR CONTACTS WITH YOUR
NUCLEAR PHYSICS.
BEST REGARDS, (SIGNED M)

RUSSIA. I AM LOOKING
DEPARTMENT. MY MAJOR IS PRACTICAL

THE RESPONSE (2 JAN 99):

"DEAR MR. M :
YOU CAN CONTACT THE EMPLOYEES OF IRANIAN INSTITUTION 2
THROUGH OUR HOME PAGE.
IRANIAN INSTITUTION 2 "

M SAID THAT HE WILL SEND INQUIRIES AS INSTRUCTED BY THE RESPONSE.

5. M WAS SOMEWHAT ENCOURAGED WITH THE RESPONSE HE RECEIVED BUT NOTED SOME FRUSTRATION WITH THE SLOWNESS, OR LACK OF RESPONSES THAT HE HAS RECEIVED TO DATE. M SAID THAT AT THE ONSET OF THE PROJECT, HE FELT THAT HE WOULD RECEIVE NUMEROUS RESPONSES AND THE WHOLE PROJECT WOULD PROCEED RATHER QUICKLY. C/O EXPLAINED THAT THE PROJECT IS A RATHER TIME CONSUMING EFFORT AND THAT RESULTS MAY NOT BE QUICKLY FORTHCOMING. C/O FURTHER REITERATED THAT THE MOST IMPORTANT THING WAS THAT M GET HIS NAME AND QUALIFICATIONS OUT THERE; THE RESPONSES MAY BE SLOW, BUT CONSIDERING THE PROJECT, IT IS BETTER TO PROCEED IN A SLOWER MANNER AS OPPOSED TO A HURRIED AND POSSIBLY COUNTERPRODUCTIVE EFFORT. M AGREED AND SAID HE WOULD CONTINUE WITH HIS EFFORTS.

6. HE GAVE C/O COPIES OF TWO LETTERS THAT HE RECENTLY SUBMITTED TO IRANIAN INSTITUTION 3 AND A FOLLOW-UP LETTER TO IRANIAN B. THE LETTERS FOLLOWED THE SAME FORMAT AS HIS OTHER INQUIRY LETTERS, BUT IN THIS GROUP HE DID INCLUDE INFORMATION ON THE ARTICLE ABOUT RUSSIAN SCIENTISTS BEING ACTIVELY SOUGHT BY IRAN.

7. REGARDING HIS INTERNET SEARCHES, M REPORTED THAT HIS SEARCHES HAVE BECOME LESS TIME CONSUMING AS SOME OF THE IRANIAN SITES HAVE BEEN REDESIGNED IN ORDER TO DECREASE THE TIME IT TAKES TO ACCESS THEM. M ALSO OPENED ANOTHER EMAIL ACCOUNT THROUGH HOTMAIL. M OPENED THE NEW ACCOUNT SO HIS FAMILY, WHO ALSO UTILIZES HIS AOL ACCOUNT, CANNOT ACCESS HIS EMAIL RELATED TO THE PROJECT. C/O AGREED WITH M'S REASONING AND INSTRUCTED M TO MAKE THE APPROPRIATE CHANGES TO THE CLASSIFIED ADVERTISEMENTS THAT HE PLACED SOME TIME AGO. THOSE ADS WERE PLACED IN TWO SEPARATE IRANIAN SITES.

THE CONTACT INSTRUCTIONS FOR THESE SITES LISTED M'S PREVIOUS EMAIL ACCOUNT. M SAID THAT HE WILL ALSO CONSIDER UPDATING HIS INFORMATION ON THOSE SITES TO MAKE THEM MORE ATTRACTIVE. C/O TOLD M THAT UPDATING THE ADS IS APPROPRIATE BUT TO TAKE CARE IN NOT MAKING THE ADS APPEAR SUSPICIOUS.

8. THE REMAINDER OF THE MEETING FOCUSED ON RAPPORT BUILDING BETWEEN C/O AND M. C/O TOOK THE TIME TO EXPLAIN TO M HOW THERE MAY BE SOME SUBTLE DIFFERENCES BETWEEN THE WAY THE PREVIOUS HANDLING OFFICER (MR. W.) AND HE (C/O) WOULD CONDUCT MEETINGS. M AGREED TO MOVING THE MEETING VENUES. AT THIS POINT, M PROVIDED C/O WITH STATEMENTS FOR PHONE BILLS AND POSTAGE RELATED TO HIS INTERNET SEARCHES AND INQUIRY LETTERS.

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10. PLANS: C/O IS ENCOURAGED THAT M CONTINUES TO SHOW AN EAGERNESS AND RESOURCEFULNESS WITH REGARD TO THE PROJECT. THOUGH HE HAS BEEN SOMEWHAT FRUSTRATED, HE IS UNDERSTANDING OF THE FACT THAT THIS IS THE NATURE OF THE PROJECT. C/O INSTRUCTED M TO CONTINUE HIS EFFORT VIA THE INTERNET AND LETTERS. C/O SCHEDULED THE NEXT MEETING FOR 2 FEB AT ANOTHER UPPER WEST SIDE HOTEL.

11. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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TOR: 041728Z FEB 99 CIA OFFICE #2 6932

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CITE CIA OFFICE #2 6932

TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 2 FEB MEETING; DETAILS ON CONTACT WITH MERLIN (M)

REF: CIA OFFICE #2 6899 | 99 4056001 |

TEXT:

2. SUMMARY: ON 2 FEB 99, C/O JEFFREY STERLING MET WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING, M PROVIDED DETAILED INFORMATION ON RECENT RESPONSES HE RECEIVED TO HIS EMAIL/DIRECT MAIL EFFORTS. M REPORTED THAT HE RECEIVED POSITIVE RESPONSES FROM IRANIAN INSTITUTION 4 WHICH REQUESTED HIS RESUME AND ADDITIONAL INFORMATION. M WAS EXCITED ABOUT FINALLY RECEIVING A RESPONSE, BUT NOTED SOME HESITANCY IN THE DIRECTION THE PROJECT SHOULD NOW TAKE. C/O AND M THEN DISCUSSED THE TYPE OF RESPONSE THAT SHOULD BE SENT TO IRANIAN INSTITUTION 4 IN ORDER TO PROCEED FORWARD.

3. M REPORTED ON HIS LATEST EFFORTS TO CONTACT INDIVIDUALS OF INTEREST FOR THE CP 1 PROJECT VIA THE INTERNET AND DIRECT MAIL. BASED ON PREVIOUS SEARCHES, M FORWARDED A NOTE TO IRANIAN C WHO IS THE DIRECTOR OF THE PREVIOUSLY NOTED ORGANIZATION AT IRANIAN INSTITUTION 1 (II-1). (M MISTAKENLY REPORTED THE WRONG NAME OF THE ORGANIZATION AT IRANIAN INSTITUTION 1

). M ALSO PROVIDED INQUIRY LETTERS THAT HE HAS SENT TO OTHER MEMBERS AT IRANIAN INSTITUTION 1. M OPINED THAT IT MIGHT BE BENEFICIAL TO SEND MORE ENTICING LETTERS TO PEOPLE IN SUCH POSITIONS. C/O AGREED, BUT SAID THAT FOR THE MOMENT IT MAY BE BEST TO FOCUS ON THE MORE ACTIVE CORRESPONDENCE. M'S 17 JAN EMAIL FOLLOWS:

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"DEAR MR IRANIAN C
 I WOULD LIKE TO CONTACT TO SOMEBODY FROM YOUR DEPT. I
 AM A FORMER ENGINEER/RESEARCHER FROM
 RUSSIA. I WORKED ON HUGE PROJECTS FOR REMOTE
 CONTROL SYSTEMS. YOU CAN FIND MORE INFORMATION ABOUT INSTITUTE ON
 ITS WEBSITE:
 THANK YOU VERY MUCH FOR YOUR TIME AND COOPERATION.

M
 P.S. THE SECOND TIME APPLYING"

IN RESPONSE, M RECEIVED THE FOLLOWING DATED 17 JAN FROM EMAIL
 ADDRESS :

"DEAR M
 THANK YOU FOR YOUR MAIL. I HAVE FORWARDED YOUR LETTER TO
 DEPT. AND YOU WILL BE INFORMED IN THE FUTURE. BUT YOU CAN
 CONTACT WITH THE DEPARTMENT YOURSELF BY THE E-MAIL ADDRESS GIVEN
 BELOW. THIS E-MAIL BELONGS TO CHAIRPERSON OF THE DEPT.
 IRANIAN D

EMAIL ADDRESS
 SINCERELY YOURS
 IRANIAN E
 ASSISTANT DIRECTOR"

M PROVIDED INFORMATION ON THE ORG. AT I.I.1, HOWEVER THERE WAS NO LISTING
 FOR IRANIAN D). ON 26 JAN, M RECEIVED THE FOLLOWING
 EMAIL FROM EMAIL
 ADDRESS :

"DEAR M ,
 ACCORDING TO YOUR RECENT LETTER, PLEASE SEND US YOUR RESUME AND MORE
 INFORMATION ABOUT YOUR EXPERIENCE AND ABILITIES.
 BEST REGARDS

DIVISION OF IRANIAN INSTITUTION 4

MUST NOTE THAT IT IS NOT CLEAR WHETHER THIS EMAIL IS A RESPONSE TO
 M 'S EMAIL INQUIRIES TO IRAN. INST. 1 OR FROM THE MANY OTHER INQUIRIES
 HE HAS SENT VIA EMAIL OR DIRECT MAIL, INCLUDING THE SUMMER '98
 EXCHANGES WITH Iranian F . IT IS CERTAINLY POSSIBLE THAT
 INDIVIDUALS AT THE THE ORG. AT I.I.1 REFERRED M'S INQUIRY TO IRAN. INST. 4. IN
 RESPONSE, M SENT THE FOLLOWING ON 27 JAN:

"DEAR SIR/MADAM:
 NO PROBLEM WITH SENDING RESUME. BUT I PREFER TO DO IT BY MAIL,
 CONFIDENTIALLY.
 PLEASE GIVE ME ANY ADDRESS, PO OR SOMETHING ELSE.
 BEST REGARDS, (HERE M ONLY ENTERED INITIALS)"

ON 30 JAN, M RECEIVED THE FOLLOWING, ALSO FROM EMAIL
 ADDRESS .

"DEAR M ,
 OUR MAIL ADDRESS IS:
 IRANIAN F
 IRANIAN INSTITUTION 4
 STREET
 ADDRESS
 TEHRAN, IRAN.
 BEST REGARDS"

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4. M WAS CERTAINLY EXCITED TO RECEIVE THE ABOVE RESPONSES, HOWEVER; HE NOTED SOME CONCERN THAT THE EMAILS MAY BE COMING FROM IRANIAN INTELLIGENCE. M SAID THAT SOME STRANGE THINGS HAVE BEEN HAPPENING SINCE HE RECEIVED THE FIRST RESPONSE. ON TWO OCCASIONS, M HAS BEEN UNABLE TO OPEN HIS HOTMAIL ACCOUNT. ON BOTH OCCASIONS, HE RECEIVED ERROR MESSAGES STATING "INTRUSION DETECTED". M SAID THAT IT WAS EXPLAINED TO HIM THAT EVIDENTLY AT LEAST TWO PEOPLE HAD TRIED TO OPEN THE ACCOUNT. AFTER SOME DELAY, M WAS ABLE TO OPEN HIS EMAIL ACCOUNT. ALSO, M IS SUSPICIOUS THAT THERE IS NO NAME SIGNED ON EITHER OF THE EMAILS FROM IRAN. INST. 4. IN THAT SAME REGARD, M WANTED TO KNOW WHERE THE PROJECT STOOD AND IF WE WERE READY TO CONTINUE WITH A RESPONSE FROM HIM. C/O EXPLAINED THAT EVERYTHING WAS WORKING IN ACCORDANCE WITH THE PLAN. C/O SAID THAT BEFORE THE PROJECT COULD PROCEED ALL ASPECTS HAD TO BE CONSIDERED.

5. M THEN RAISED CONCERN ABOUT HIS PROFILE. M SAID THAT IT MAY BE APPROPRIATE TO CHANGE THE PROFILE IN HIS RESUME AS IT INDICATES INFORMATION THAT WILL NOT BE ABLE TO WITHSTAND THE SCRUTINY WHICH MAY COME FROM THE IRANIANS. M WAS PARTICULARLY CONCERNED ABOUT THE SCIENTIFIC ASPECT OF HIS RESUME THAT HE SAID WAS NOT ENTIRELY ACCURATE. M SAID THAT THE INFORMATION ON HIS RESUME RELATING HIS EXPERIENCE WITH ARZAMAC 16 IS TOO SCIENTIFIC AND THEY WOULD KNOW HE DID NOT HAVE SUCH EXPERIENCE IF THEY SHOULD CHECK. C/O SAID THAT THERE SHOULD NOT BE MUCH CONCERN WITH REGARD TO WHAT IS ON THE RESUME, BECAUSE THE OVERALL PURPOSE IS TO PRESENT M AS SOMEONE WITH A BUSINESS OPPORTUNITY AND NOT SOMEONE SEEKING EMPLOYMENT. C/O EXPLAINED THAT THE RESUME WOULD ONLY BE NECESSARY TO SHOW THE IRANIANS THAT HE (M) DOES HAVE THE NECESSARY BACKGROUND AND AT LEAST A BASIC KNOWLEDGE OF THE ITEMS AND INFORMATION HE CAN MAKE AVAILABLE TO THEM. M UNDERSTOOD, BUT STILL EXPRESSED HESITANCY IN SENDING HIS RESUME.

6. C/O AND M DISCUSSED THE BEST FORM OF RESPONSE THAT SHOULD BE SENT. M OPINED THAT IT WOULD BE BEST TO GET A RESPONSE OUT AS SOON AS POSSIBLE CONSIDERING THE QUICK RESPONSES THAT WERE SENT TO HIM. BEING EVER CAUTIOUS, M THEN EXPLAINED WHY HE SIGNED HIS 27 JAN EMAIL WITH ONLY INITIALS AS OPPOSED TO FULL NAME. M SAID THAT IN ANY MAIL RESPONSE, HE WILL ONLY USE INITIALS SO THAT IF THE LETTER REACHES THE WRONG HANDS, NO CONNECTION CAN BE MADE TO HIM. HE SAID THAT ONLY IRANIAN F OR SOMEONE ELSE FAMILIAR WITH HIS EMAIL SHOULD BE ABLE TO MATCH INITIALS WITH THE LETTER AND EMAIL. C/O TOLD M THAT THE BEST RESPONSE MAY BE ONE IN WHICH M CLARIFIES HIS REASON FOR CONTACTING IRANIAN F'S ORGANIZATION AND THE OTHERS. A LETTER FROM M CAN EXPLAIN THAT HE (M) IS NOT INTERESTED IN EMPLOYMENT, BUT RATHER A BUSINESS DEAL FOR THOSE IN IRAN WHO MAY BE PARTICULARLY INTERESTED. THE LETTER CAN EXPLAIN THAT M, THROUGH HIS BACKGROUND AND CONTACTS SINCE HE DEPARTED RUSSIA, HAS PROVIDED HIM WITH ACCESS TO TECHNOLOGY AND INFORMATION WHICH MAY PROVE HELPFUL TO IRAN'S EFFORTS IN THE FIELD OF NUCLEAR ENGINEERING. IN THIS TONE, THE LETTER SHOULD BE ENOUGH TO PROMPT THE IRANIANS TO CONTINUE THEIR DIALOG WITH M AND POSSIBLY REQUEST A MEETING WITH M TO DISCUSS THE DEAL. IN EXPLAINING THE APPROPRIATE TYPE OF RESPONSE, C/O EMPHASIZED TO M THAT ONCE THE IRANIANS REALIZE THAT HIS (M'S) INTEREST IS BUSINESS AS OPPOSED TO EMPLOYMENT, THE NEED AND IMPORTANCE OF A RESUME WILL LESSEN, NEGATING THE POSSIBILITY OR NEED OF AN EXTENSIVE BACKGROUND INVESTIGATION. C/O INSTRUCTED M TO CONTINUE HIS WORK ON A LETTER TO SEND TO IRAN. INST. 4 AND THAT HE SHOULD BE PREPARED TO SEND A RESUME ALONG.

7. PLANS: CONSIDERING THIS IS ESSENTIALLY THE SECOND TIME THAT

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M HAS HAD CORRESPONDENCE WITH IRANIAN F, WE BELIEVE THAT SOME TYPE OF RESPONSE SHOULD BE SENT AS SOON AS POSSIBLE IN ORDER TO KEEP TAKE FULL ADVANTAGE OF THIS LATEST ROUND OF EXCHANGES. THAT SAID, NOW MAY NOT BE THE OPPORTUNE TIME TO ACTUALLY SEND DETAILS ABOUT WHAT M CAN PROVIDE PRIOR TO THE REQUISITE APPROVALS BEING OBTAINED FROM THE HQS END. IN THE INTERIM HOWEVER, C/O HAS SUGGESTED THAT M SEND AN EMAIL EXPLAINING THAT HE WILL SEND A LETTER WITH THE REQUESTED INFORMATION, BUT THAT HE MAY NEED SOME TIME TO GATHER IT. ONCE A CORRESPONDENCE IS SENT, M WILL NOTIFY IRANIAN F VIA EMAIL AND REQUEST CONFIRMATION OF ITS RECEIPT. M WAS NOT ENTHUSIASTIC ABOUT SUCH AN INTERIM LETTER, BUT THIS MAY BE THE ONLY OPTION AT THIS POINT. C/O WILL CONTACT M ON 5 FEB WITH FURTHER INSTRUCTIONS ON HOW TO PROCEED. A MEETING CAN BE SIGNALLED FOR 6 FEB TO HAMMER OUT DETAILS OF A CORRESPONDENCE TO BE SENT TO IRAN. INST 4 REQUEST HQS COMMENTS REGARDING THE ABOVE.

8. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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CIA OFFICE #26954

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CITE CIA OFFICE #2 6954 (MR. S. 2 ACTING)

TO: PRIORITY LANGLEY .

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - BRIEF MEETING ON 6 FEB

REF: CIA OFFICE #2 6932 | 99 4243491 |

TEXT:

1. ACTION REQUIRED: REQUEST HQS INPUT ON AN APPROPRIATE RESPONSE TO BE FORWARDED BY M PER BELOW.

2. ON 6 FEB, C/O JEFFREY STERLING HELD A BRIEF ENCOUNTER WITH M AT AN UPPER WEST SIDE COFFEE SHOP IN MANHATTAN. DURING THE MEETING, M PASSED A PROPOSED RESPONSE LETTER TO THE MOST RECENT EMAIL CORRESPONDENCE HE HAS RECEIVED FROM IRAN (REF). DURING THE MEETING, C/O INSTRUCTED M TO CONTINUE HIS EFFORTS DIRECTED AT OTHER IRANIANS WHO MAY BE INTERESTED IN HIS CREDENTIALS AND THAT AN APPROPRIATE RESPONSE WILL BE FORMULATED.

3. FOLLOWING IS THE VERBATIM TEXT OF THE LETTER THAT M PROPOSES (PASSED TO CIA OFFICER 5 DURING C/O TDY TO HQS AREA):

"DEAR MR. IRANIAN F :

I AM APPLYING TO YOU TO TELL MORE ABOUT MY EXPERIENCE AND ABILITIES ACCORDING TO RECENT E-MAIL FROM A DIVISION OF IRANIAN INSTITUTION 4. HONESTLY SPEAKING, AT THIS TIME I AM NOT LOOKING ANY MORE FOR JOB OPPORTUNITIES BECAUSE I CHANGED MY MIND BUT ADDITIONALLY TO IT I HAVE A GREAT BUSINESS PROPOSITION FOR YOU OR PEOPLE WHO CAN BE INTERESTED IN IT. I HAVE BEEN GETTING AN EXCELLENT AND USEFUL INFORMATION RELATED TO MY PREVIOUS EXPERIENCE. THAT IS NOT COMPLETED BUT ALREADY THIS REAL DEVICE HAS DOCUMENTATION, MATERIAL'S DESCRIPTION AND SOME OTHER ASPECTS. THAT, IT SEEMS LETS TO PRODUCE THEM IN THE FUTURE. THIS DEVICE IS USED FOR INITIATION OF GAS DYNAMIC PROCESSES TO GET AN APPROPRIATE STARTING ENVIRONMENT FOR A FAMOUS REACTION. AT THIS TIME I AM NOT ON EXPERT LEVEL IN NP BUT I WORKED OVER 20 YEARS IN THIS FIELD, MOST OF THEM IN THE SECONDARY NUCLEAR PRODUCTION, AND I CAN DO THIS EVALUATION PROPERLY.

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I AM SURE THIS ON CAN SAVE A LOT OF MONEY ON YOUR RESEARCH AND DESIGN EXPENSES. THAT IS ONE OF MOST IMPORTANT AND SOPHISTICATED DEVICES IN A TECHNOLOGICAL CHAIN.

ALSO LET ME TO TELL YOU ABOUT MYSELF.

CURRENTLY, IN THIS COUNTRY, I HAVE BEEN WORKING AS A

YOU UNDERSTAND I HAD TO CHANGE MY PROFILE BECAUSE MY PREVIOUS PROFESSION IS ABSOLUTELY NOT HOT THERE AND I HAD NO CHANCE WITH MY BROKEN ENGLISH TO FIND ANY APPROPRIATE POSITION. BUT WHEN I WORKED IN INSTITUTE WE USED SOME PROGRAMMING LANGUAGES FOR COMPLICATED CALCULATIONS AND STATISTIC DEVELOPMENT AND IT HELPED ME TO FIND A GOOD JOB WITH A PERFECT SALARY AND SECURE FUTURE. THANKS A GOD FOR THAT. IN PAST I WORKED ALSO AT THE SECONDARY NUCLEAR ASSEMBLY PRODUCTION

I AM THINKING THAT IS GOOD ENOUGH FOR FIRST IMPRESSION.

THANK YOU VERY MUCH FOR YOUR TIME, COOPERATION AND FUTURE ASSISTANCE.

BEST REGARDS, (M INITIALS) "

4. M HAS OBVIOUSLY PUT SOME THOUGHT INTO THE FORMULATION OF THIS LETTER. THOUGH M HIT ON SOME KEY AREAS IN HIS LETTER, IT MAY IN FACT SAY TOO MUCH. C/O'S SUGGESTS A RESPONSE THAT INITIALLY MAKES IT CLEAR THAT M IS NOT INTERESTED IN A JOB, BUT RATHER A BUSINESS OPPORTUNITY. THE LANGUAGE SHOULD BE SPECIFIC ENOUGH THAT THE PARTICULAR INTEREST OF THE IRANIANS IS CAPTURED, BUT VAGUE ENOUGH THAT THE IRANIANS WILL CONTINUE INTEREST IN M TO ASCERTAIN WHAT EXACTLY IT IS HE HAS TO OFFER. CONSIDERING THE NECESSARY PROCESS FOR CONTINUING WITH THE PROJECT, FEEL THE LONGER THE IRANIANS CAN BE STRUNG ALONG, THE BETTER. REQUEST HQS INPUT TO THE ABOVE LETTER.

5. C/O TOLD M THAT HIS TEXT WILL BE CONSIDERED IN THE FORMULATION OF AN APPROPRIATE RESPONSE. C/O ALSO TOLD M THAT AN IMMEDIATE RESPONSE WILL NOT BE SENT OUT. C/O EXPLAINED THAT IT IS OBVIOUS THAT HE (M) NOW HAS AN ADDRESS. WHEN THE APPROPRIATE RESPONSE IS SENT, THE IRANIANS WILL KNOW FROM WHOM IT COMES, NO MATTER THE TIMING. M ACCEPTED THIS EXPLANATION AND AGREED TO CONTINUE HIS EFFORTS TO CONTACT OTHER IRANIANS OF INTEREST.

6. PLANS: C/O WILL NOT MEET WITH M UNTIL CA 23 FEB. DURING THIS MEETING, FEEL IT WILL BE APPROPRIATE TO HAVE SOME SORT OF RESPONSE FOR M TO SEND. FEEL THAT PROLONGED INACTIVITY ON OUR PART WILL CAUSE M TO HAVE SOME SECOND THOUGHTS ABOUT OUR PREPAREDNESS FOR THIS PROJECT. M DOES APPEAR TO BE SOMEWHAT EXCITED ABOUT THE PROSPECT THAT THE PROJECT IS COMING TO FRUITION AND IT WILL ONLY BEHOOVE THE PROJECT TO BE ABLE TO BUILD UPON HIS ENTHUSIASM. LOOK FORWARD TO HQS THOUGHTS/COMMENTS.

7. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - NEXT CONTACT WITH IRANIAN INSTITUTION 4

REF: LANGLEY 277216 | 99 4408903 |

TEXT:

1. ACTION REQUIRED: REQUEST HQS REVIEW OF BELOW LETTER AND REPLY ASAP.

2. DURING THE 24 FEB 99 MEETING, C/O JEFFREY STERLING AND M DRAFTED A RESPONSE LETTER TO BE SENT TO IRANIAN F AT IRAN INST. 4 BASED ON THE MOST RECENT EMAIL CORRESPONDENCE. PER REF, THE PERSONAL INFORMATION ON M WAS OMITTED IN LIEU OF HIS RESUME AND INFORMATION ON M'S FAVORABLE FINANCIAL STATUS WAS ALSO DELETED. WE BELIEVE THAT THE FOLLOWING VERSION SAYS JUST ENOUGH TO PIQUE THE IRANIANS' INTEREST IN WHAT M HAS TO OFFER THEM. LARGELY BASED ON REF, C/O AND M EDITED THE ORIGINAL VERSION AS FOLLOWS:

"DEAR MR. IRANIAN F

THANK YOU FOR YOUR RESPONSE AND ATTENTION TO ME. BUT, HONESTLY SPEAKING, AT THIS TIME I AM NOT LOOKING ANYMORE FOR JOB OPPORTUNITIES. MY REASON FOR CONTACTING YOU IS THAT I HAVE A GREAT BUSINESS OPPORTUNITY FOR YOU OR PEOPLE WHO CAN BE INTERESTED IN IT.

I HAVE BEEN GETTING AN EXCELLENT AND USEFUL INFORMATION ABOUT A REAL DEVICE RELATED TO MY PREVIOUS EXPERIENCE. IT WAS USED IN SOME REAL SYSTEMS AND THIS DEVICE IS ONE OF KEY ELEMENTS OF MODERN TECHNOLOGICAL CHAIN. THIS INFORMATION IS NOT COMPLETED, BUT IT HAS DOCUMENTATION AND MATERIALS DESCRIPTION. I AM SURE THIS ONE CAN SAVE A LOT OF MONEY ON YOUR RESEARCH AND DESIGN EXPENSES. THAT IS ONE OF MOST IMPORTANT AND SOPHISTICATED DEVICES.

I CAN NOT TELL YOU ABOUT DETAILS BECAUSE YOU UNDERSTAND IT CAN BE TOO RISKY FOR ME IN MY SITUATION. ALSO, I PREFER TO GET A CLEAR

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RESPONSE FROM YOU USING YOUR AND MY PRIVATE MAIL ADDRESSES, NOT YOUR ORGANIZATION. YOU HAVE MY MAIL ADDRESS IN MY PREVIOUS LETTERS.

THANK YOU FOR YOUR TIME, CONSIDERATION AND FUTURE ASSISTANCE.

BEST REGARDS, (M 'S INITIALS)"

3. DURING FORMULATION OF THIS LETTER, M RAISED SEVERAL CONCERNS. HE INITIALLY OBJECTED TO SENDING HIS RESUME ALONG WITH IT. IN A SOMEWHAT PERSISTENT MANNER, C/O EXPLAINED TO M THAT A RESUME IS IMPORTANT WITH THE COVER LETTER BECAUSE MOST OF M 'S PERSONAL DESCRIPTION HAS BEEN TAKEN OUT. TO APPEASE M 'S CONCERNS, C/O EXPLAINED THAT ONCE THE IRANIANS REALIZE THAT M IS NOT INTERESTED IN EMPLOYMENT, THE FOCUS WILL BE ON THE PRODUCT BEING OFFERED. THE RESUME WILL BE USED ONLY TO PROVIDE THE IRANIANS AN IDEA OF WHAT TYPE OF ITEM IS BEING OFFERED AND TO CONFER THAT M IN FACT DOES HAVE KNOWLEDGE OF THE WARES THAT HE IS TRYING TO PEDDLE. AS SUCH, ANY SCRUTINY INTO M 'S BACKGROUND WILL NOT BE AS NECESSARY. M FINALLY AGREED TO INCLUSION OF A RESUME WITH THE CAVEAT THAT HE SHOULD BE PREPARED WITH NAMES SUCH AS SUPERVISORS, COWORKERS, ETC. AT THE INSTITUTES SO THAT HE APPEARS GENUINE. C/O SAID THAT AS PART OF PREPARATION FOR THE PROJECT, M WILL HAVE APPROPRIATE LEGEND THAT WILL BE USED TO COUNTER POSSIBLE IRANIAN SCRUTINY. TO ASSUAGE M , C/O INSTRUCTED M TO START DEVELOPING HIS OWN LEGEND RELATED TO HIS RESUME.

4. M IS ALSO VERY RELUCTANT TO PLACE HIS P.O. BOX ADDRESS IN THE BODY OF THE LETTER. M REASONED THAT THEY (THE IRANIANS) HAVE HIS ADDRESS FROM THE PREVIOUS LETTERS AND OMITTING THE ADDRESS WILL PROTECT HIM AND HIS FAMILY SHOULD THE LETTER FALL INTO THE HANDS OF SOMEONE OTHER THAN THE INTENDED AUDIENCE. M WAS QUITE UNWAVERING DESPITE C/O'S EXPLANATION THAT THE ADDRESS MAY BE NECESSARY TO EXPEDITE A RESPONSE. C/O ALSO NOTED THAT THE PREVIOUS LETTERS HAVE GONE TO VARIOUS ADDRESSES AND THAT IT IS POSSIBLE THEY HAVE BEEN LOST. NONETHELESS, M DOES NOT WANT TO PLACE THE ADDRESS IN THE LETTER.

5. M 'S CONCERNS OVER THE LETTER AND WHAT SHOULD BE INCLUDED SHOWS THAT HE IS INDEED PLACING THOUGHT INTO THE PROJECT, EVEN IF HE WANTS TO BE SOMEWHAT TOO SURREPTITIOUS. M 'S OVERLY CAUTIOUS TENDENCIES MAY REFLECT HIS BELIEF THAT THE PROJECT IS REACHING A STAGE WHERE HE MAY ACTUALLY HAVE TO MEET WITH THE IRANIANS. THIS IS NOT TO SAY THAT M IS SHOWING AN UNWILLINGNESS TO CONTINUE THE PROJECT; HE IS JUST LETTING HIS CAUTIONS BE KNOWN. M CONTINUES TO DEMONSTRATE HIS EAGERNESS FOR THE PROJECT. THE DILIGENT WORK ON 24 FEB ON THE LETTER CLEARLY DEMONSTRATED THAT TO C/O.

6. PLANS: C/O EXPLAINED TO M THAT THE ABOVE VERSION WILL BE REVIEWED. AFTERWARDS, M WILL BE CONTACTED ON WHAT CHANGES IF ANY ARE TO BE MADE AND THEN INSTRUCTED TO FORWARD THE FINAL VERSION ALONG WITH HIS RESUME. C/O WILL CONTACT M ON 1 MAR 99 WITH A STATUS UPDATE AND INSTRUCTIONS TO EDIT OR SEND. LOOK FORWARD TO INPUT FROM HEADQUARTERS.

7. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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END OF MESSAGE

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TOR: 012027Z MAR. 99 CIA OFFICE #26973

S E C R E T 012023Z MAR 99

CIA OFFICE #2
CITE 6973 (MR. S. 2ACTING)

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 24 FEB MEETING

REF: A. CIA OFFICE #2 | 99 4502607 |
B. LANGLEY 286924 | 99 4482038 |

TEXT:

1. ACTION REQUIRED: HQS THOUGHTS/COMMENTS ON A SALARY INCREASE FOR M PER BELOW.

2. ON 24 FEB, C/O JEFFREY STERLING HELD A THREE HOUR PERSONAL MEETING WITH M AT AN UPPER WEST SIDE HOTEL IN MANHATTAN. DURING THE MEETING, C/O AND M EDITED A VERSION OF A RESPONSE LETTER TO BE SENT TO IRANIAN INSTITUTION 4. ALSO DURING THE MEETING, C/O AND M DISCUSSED SEVERAL FINANCIAL ISSUES RELATED TO M'S WORK WITH CIA. THE NEXT SCHEDULED MEETING WITH M WILL BE 9 MARCH IN MANHATTAN.

3. A MAJORITY OF THE MEETING WAS SPENT ON THE LETTER TO BE SUBMITTED IN FURTHERANCE OF THE CP 1 PROJECT (REF A). PRIOR TO WORK ON THE LETTER, M INFORMED C/O THAT HE HAD RECEIVED NO FURTHER RESPONSES TO HIS EMAILS OR LETTERS. M SAID THAT HIS INTERNET SEARCHES CONTINUE AND HE HAS SENT EMAILS TO SOME EMPLOYEES OF IRAN. INSTITUTION 1 AND OTHER INSTITUTIONS OF INTEREST IN IRAN. M AGREED WITH C/O SUGGESTION THAT IT WILL BE IN ORDER FOR M TO SEND FRIENDLY REMINDERS TO THOSE EMPLOYEES TO WHOM HE HAS SENT INQUIRY MESSAGES.

4. EMAIL ACCOUNTS: M SAID THAT HE HAS NOT RECEIVED FURTHER "INTRUSION" MESSAGES ON HIS HOTMAIL ACCOUNT. HE DID SAY THAT HE IS HAVING SOME DIFFICULTY WITH HIS AOL ACCOUNT. M SAID THAT ONCE HE NOTIFIED THE AOL OPERATOR THAT HIS ACCOUNT WAS WORKING PROPERLY, HE WAS NOT OFFERED MUCH ASSISTANCE WITH REGARD TO SECURITY ON HIS INTERNET ACCOUNT. C/O TOLD M TO REMAIN COGNIZANT OF ANY ABNORMALITIES ON HIS EMAIL ACCOUNTS AND REPORT THEM ACCORDINGLY. C/O DID REITERATE THAT THE DIFFICULTY MAY POSSIBLY LIE IN MOMENTARY

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GLITCHES OR OPERATOR ERROR.

5. FINANCIAL MATTERS: DURING THE MEETING C/O PAID AND RECEIVED A RECEIPT FROM M FOR ONE-THIRD OF HIS '98 SALARY (USD 20,000.00); PHONE BILLS (USD 186.57), COMPUTER SOFTWARE PURCHASE (USD 64.34) AND RUDIMENTARY REIMBURSEMENT FOR TRAVEL INTO MANHATTAN (USD 30.00). AFTERWARDS, C/O DISCUSSED THE MATTER OF REIMBURSEMENT FOR M'S PHONE BILLS. C/O EXPLAINED THAT ANY REIMBURSEMENTS MADE TO M HAD TO BE FOR EXPENSES MADE IN FURTHERANCE OF THE PROJECT. C/O SAID THAT IT WAS QUITE CONFUSING THAT M WAS BEING REIMBURSED FOR TWO PHONE BILLS WHEN INTERNET ACCESS IS USUALLY OBTAINED VIA LOCAL TELEPHONE CALLS.

M SEEMED TO UNDERSTAND C/O'S INQUIRY AND SAID THAT SOMETIMES HE HAS TO USE LONG DISTANCE TO LOGON BECAUSE THE NUMBERS IN HIS AREA ARE SOMETIMES BUSY AND THAT MR. W. PAID THE BILLS. C/O WENT ON TO SAY THAT FROM THAT MOMENT ON, M WOULD ONLY BE REIMBURSED FOR THE PHONE LINE DEDICATED FOR USE BY M IN FURTHERANCE OF THE PROJECT. C/O FURTHER EXPLAINED THAT M WOULD CERTAINLY BE REIMBURSED FOR ANY OTHER EXPENSES RELATED TO THE PROJECT SUCH AS POSTAGE, HIS INTERNET ACCOUNT FEES AND TRAVEL AND OTHER EXPENSES, AS NECESSARY. M SAID THAT HE UNDERSTOOD.

6. ALMOST IMMEDIATELY, M SAID THAT RELATED TO SUCH MATTERS, HE HAS SOME ISSUES REGARDING HIS SALARY. M SAID THAT HE HAS BEEN MAKING THE SAME AMOUNT FOR THE PAST TWO YEARS AND THAT SOME ADJUSTMENT MAY BE IN ORDER. M MENTIONED THAT HIS EXPENSES HAVE GROWN DURING HIS WORK FOR CIA, YET HIS SALARY HAS NOT. RELATED TO HIS REIMBURSABLE EXPENSES, M SAID THAT AN APPROPRIATE SALARY INCREASE WILL OBIVATE THE NEED TO CONTINUE WITH SUCH COMPLICATED AND TIME-CONSUMING ITEMS SUCH AS TELEPHONE BILLS AND TRAVEL INTO THE CITY. M WOULD THEN JUST HAVE HIS SALARY AND LARGE EXPENSES SUCH AS AIRLINE TRAVEL. M ADDED THAT AT A MINIMUM HE WOULD LIKE TO HAVE SOME LIFE INSURANCE FOR HIS FAMILY CONSIDERING THE POSSIBILITY OF HAVING CONTACT WITH THE IRANIANS IN FURTHERANCE OF THE PROJECT. C/O TOLD M THAT THOSE WERE VERY VALID ARGUMENTS AND THAT EVERYTHING WOULD BE CONSIDERED.

7.

8. AS IS TYPICAL WITH M IT APPEARS THAT HE HAS TAKEN AN AMOUNT OF TIME TO PRESENT HIS ARGUMENTS FOR A SALARY INCREASE. GIVEN THAT M HAS NOT RECEIVED A SALARY INCREASE IN TWO YEARS AND HIS CONTINUING EAGERNESS WITH THIS CRUCIAL PROJECT, A SALARY INCREASE MAY BE WARRANTED. A SALARY INCREASE SHOULD AT LEAST ENCOMPASS M'S RUDIMENTARY OPS EXPENSES SUCH AS TELEPHONE AND TRAVEL FOR OPS MEETINGS (APPROXIMATELY USD 100 PER MONTH). WITH THIS IN MIND, CIA OFFICE #2 RECOMMENDS A RAISE OF AT LEAST USD 250 PER MONTH FOR M. C/O WILL CONTINUE TO REIMBURSE FOR ITEMS SUCH AS THE P.O BOX, NECESSARY COMPUTER PURCHASES; OPS RELATED TRAVEL, AND ANY OTHER SIZEABLE RELEVANT EXPENSES. SHOULD HQS AGREE WITH THE ABOVE, OFFICE #2 WILL ADJUST M'S AGMT ACCORDINGLY. ALSO, REQUEST HQS

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COMMENTS ON THE LIFE INSURANCE OPTION FOR M .

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TOR: 221952Z MAR 99 CIA OFFICE #2 7011

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7011

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 16 MARCH MEETING

REF: LANGLEY 293632 | 99 4543087 |

TEXT:

1. ACTION REQUIRED: NONE/FYI.
2. ON 16 MAR 99, C/O JEFFREY STERLING HELD A PERSONAL MEETING WITH M AT AN UPPER WEST SIDE HOTEL IN MANHATTAN. THERE WERE NO SECURITY INCIDENTS. DURING THE MEETING, M PROVIDED INFORMATION ON THE MATERIALS HE SENT TO IRAN INST. 4 AND RECENT CONTACTS VIA HIS EMAIL ACCOUNT. THE NEXT MEETING IS SCHEDULED FOR 06 APR 99.
3. AT THE ONSET OF THE MEETING, C/O REQUESTED AN UPDATE FROM M ON THE LETTER SENT TO IRANIAN F AT IRANIAN INSTITUTION 4. BEING EVER SECURITY CONSCIOUS, M MAILED THE LETTER AND HIS RESUME SEPARATELY. M MAILED THE RESUME FIRST ON 5 MARCH AND THE LETTER (EDITED PER REF) WAS MAILED A FEW DAYS LATER. M WAS UNSURE OF THE EXACT DATE BUT BELIEVED THAT IT WAS 08 MAR 99. PRIOR TO THE MAILINGS, M/2 SENT AN EMAIL TO IRANIAN F EXPLAINING THAT TWO SEPARATE LETTERS WILL BE COMING. C/O TASKED M TO SEND ANOTHER MESSAGE REQUESTING ACKNOWLEDGMENT OF RECEIPT OF THE LETTERS AND M AGREED. M APPEARED EXCITED ABOUT SENDING THE LETTERS AND IS ANXIOUS TO GET A RESPONSE. M DID EXPRESS A BIT OF CONCERN ABOUT THE TIMING OF THE LETTERS. HE FELT THAT HIS LETTERS MAY GET LOST BECAUSE NO ONE WILL LOOK AT THEY MAY ARRIVE DURING THE IRANIAN NEW YEAR CELEBRATIONS. C/O ADDRESSED M'S CONCERNS BY EXPLAINING THAT THE EMAIL CORRESPONDENCE WILL SERVE AS ADEQUATE ALERT THAT THE LETTERS ARE COMING AND IRANIAN F SHOULD THEREFORE BE EXPECTING THEM IRRESPECTIVE OF THE FACT HE MIGHT TAKE SOME HOLIDAY FOR NOWRUZ CELEBRATIONS.
4. M SHOWED C/O COPY OF AN EMAIL MESSAGE DATED 5 MARCH. THE MESSAGE WAS FROM IRANIAN G AT EMAIL ADDRESS:

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"DEAR (M),

I SAW YOUR AD. CAN YOU SEND ME BETTER ABOUT YOU. OUR WORK IS ABOUT POWER LASER, CNC CONTROL STEP AND DC MOTOR,...

THANKS,
IRANIAN G

M SAID THE MESSAGE IS MOST LIKELY IN RESPONSE TO THE AD ABOUT HIMSELF HE PLACED ON THE WEB PAGE. M NOTED THAT HE RECENTLY UPDATED THAT AD AND HAS NOT INCLUDED HIS RESUME IN THE AD. C/O INSTRUCTED M TO SEND A RESPONSE STATING THAT HE WILL BE HAPPY TO SEND MORE INFORMATION, BUT PRIOR TO THAT HE WOULD LIKE TO KNOW INFORMATION ABOUT IRANIAN G AND WHAT TYPE OF ORGANIZATION OR COMPANY HE REPRESENTS. M AGREED TO SEND THE MESSAGE SOON. C/O ALSO INSTRUCTED M TO BRING COPIES OF ALL CORRESPONDENCE HE SENDS AND RECEIVES

5. M SAID THAT HE HAS NOT RECEIVED REPLIES TO THE MESSAGES HE HAS SENT TO THE EMPLOYEES AT IRANIAN INSTITUTIONS 1 AND 2

M THEN SUGGESTED THAT IN SOME OF HIS FUTURE MESSAGES, HE MAY MAKE MENTION OF THE RECENT REVELATION THAT ANOTHER COUNTRY HAD SECURED NUCLEAR SECRETS FROM THE U.S. M 'S REASONING WAS THAT OTHERS NOW SEE THAT IT IS POSSIBLE TO OBTAIN NUCLEAR SECRETS WHICH CAN ADVANCE THEIR PROGRAMS; AND THAT THE PROJECT CAN BUILD UPON THAT SUPPOSITION TO ENTICE THE IRANIANS. C/O LAUDED M FOR HIS THINKING, BUT SAID SOME THOUGHT WOULD NEED TO BE GIVEN TO SUCH A PROPOSITION PRIOR TO M IMPLEMENTING IT.

6. FINANCIAL MATTERS: C/O MENTIONED TO M THAT WHEN READY, M 'S NEW AGMT WILL INCLUDE AN INCREASE OF USD 1000.00 IN HIS MONTHLY SALARY. C/O SAID THAT WITH SUCH A SIZABLE RAISE, THERE WOULD BE SOME CHANGES WITH REGARD TO THE REIMBURSEMENTS THAT M HAS BEEN RECEIVING. C/O EXPLAINED THAT M WOULD NO LONGER BE REIMBURSED FOR PHONE EXPENSES RELATED TO HIS USE OF THE INTERNET FOR THE PROJECT. C/O ADVISED M THAT HE WOULD BE REIMBURSED FOR MAJOR EXPENSES SUCH AS TRIPS AND THOSE EXPENSES DIRECTLY RELATED TO HIS WORK FOR THE PROJECT (I.E., P.O. BOX, POSTAGE EXPENSES, AND PURCHASES FOR HIS COMPUTER) WHICH MUST BE PRE-APPROVED BY C/O. M SAID THAT THE LITTLE EXPENSES ARE OF NO IMPORTANCE AND THEY CAN BE FORGOTTEN INCLUDING AOL

C/O ALSO TOLD M THAT WITH SUCH A SIZABLE RAISE, M WAS ON HIS OWN WITH REGARD TO LIFE INSURANCE.

7. AS USUAL, C/O IS ENCOURAGED BY THE EFFORT AND THOUGHT THAT M IS PUTTING INTO THE PROJECT. AT THE NEXT SCHEDULED MEETING, C/O WILL PAY M THE FINAL INSTALLMENT FOR HIS '98 SALARY.

8. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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END OF MESSAGE

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TOR: 121528Z APR 99 CIA OFFICE #2 7040

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7040

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 6 APRIL MEETING

REF: CIA OFFICE #2 7011 | 99 4776897 |

TEXT:

1. ACTION REQUIRED: PLS PROVIDE AN UPDATE ON STATUS OF PROJECT APPROVALS AND AGMT PROCESSING.

2. ON 6 APR 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING, M DISCUSSED HIS MOST RECENT CONTACT WITH A DIVISION OF IRANIAN INSTITUTION 4 (DIV). A GOOD PORTION OF THE MEETING WAS ALSO SPENT DISCUSSING PERCEIVED DISCREPANCIES WITH REGARD TO M'S '98 SALARY. THE NEXT MEETING IS SCHEDULED FOR 29 APRIL.

3. AT THE ONSET OF THE MEETING, M TOLD C/O THAT HE HAD HAD A RECENT CONTACT FROM THE DIV. WITH REGARD TO THE LETTERS HE SUBMITTED (REF). M SAID THAT ON 3 APRIL, HE RECEIVED AN EMAIL FROM EMAIL ADDRESS: M DID NOT HAVE A COPY OF THE EMAIL WITH HIM, BUT SAID THAT THE NOTE INDICATED THAT THEY RECEIVED HIS FIRST LETTER (RESUME), BUT THAT THE SECOND LETTER HAD NOT BEEN RECEIVED. THE SECOND LETTER INTIMATED THAT M HAD A BUSINESS DEAL IN MIND FOR INTERESTED IRANIANS. IN AN EMAIL HE SENT PRIOR TO MAILING THE LETTERS, M INDICATED THAT THE SECOND LETTER WAS MORE IMPORTANT. THE EMAIL FROM THE DIV. REFLECTED THIS BY REPEATING THE ASSERTION MADE BY M AND REQUESTED THAT HE RESEND IT AS SOON AS POSSIBLE.

4. M SAID THAT HE CONTEMPLATED CONTACTING C/O TO GET GUIDANCE AS FAR AS WHAT TO DO, BUT HE SENT THE BELOW RESPONSE THE FOLLOWING DAY (4 APRIL) VIA EMAIL:

"HI EVERYONE,

I AM WONDERING WHY YOU DID NOT GET IT. YOU SHOULD HAVE THIS PAPERS

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ALREADY. LET'S WAIT FOR A COUPLE OF DAYS AND I WILL SEND OVER AGAIN. PLEASE THINK ABOUT SENDING THIS INFO TO A PRIVATE ADDRESS, PRIVATE PERSON WITH THE SAME FINAL APPROPRIATE DESTINATION. YOU KNOW AN ABBREVIATION THAT I USED CAN BE INTERESTING FOR MANY OTHERS, VERY UNDESIRE FOR ME PEOPLE. I MEAN A NAME OF YOUR ORGANIZATION. I AM VERY WORRIED IF THIS PACKAGE GOT LOST. IF I WILL NOT GET YOUR CONFIRMATION ABOUT GETTING AT APRIL 10 I SEND IT AGAIN SIGNED SSB AND M. ASFARI.

THANK YOU"

WITH REGARD TO RESENDING THE LETTER, M PRESENTED ANOTHER OPTION. M SUGGESTED ESTABLISHING AN EMAIL ACCOUNT FROM WHICH TO SEND THE LETTER TO THE DIV. M MENTIONED THAT IT WOULD BE BETTER ALSO TO SEND IT FROM A PHONE NUMBER OTHER THAN HIS HOME NUMBER. AS THE PROJECT SEEMS TO BE COMING CLOSER TO FRUITION, M IS CONCERNED THAT THE IRANIANS MAY BE ABLE TO TRACK HIM TO HIS RESIDENCE VIA THE EMAILS.

C/O AGREED WITH M 'S REASONING, BUT SAID IT WOULD PROBABLY BE BEST TO MAIL THE LETTER AS WAS DONE INITIALLY. WE BELIEVE THAT SENDING THE LETTER VIA EMAIL WILL BE A DEPARTURE FROM THE CORRESPONDENCE PATTERN ALREADY ESTABLISHED. THE CURRENT PATTERN REFLECTS A CONCERN FOR CONFIDENTIALITY TO WHICH AN EMAIL WOULD BE SOMEWHAT CONTRARY. SHOULD M NOT RECEIVE NOTIFICATION THAT THE ORIGINAL LETTER HAS BEEN RECEIVED, C/O WILL CONTACT M ON 10 APRIL AND INSTRUCT HIM TO MAIL THE LETTER. THE EMAIL OPTION WILL BE TRIED SHOULD THE SECOND MAILING NOT WORK.

5. THIS IS CERTAINLY A POSITIVE DEVELOPMENT OF EVENTS FOR THE PROJECT. M IN FACT EXPRESSED EXTREME PLEASURE AND EXCITEMENT THAT THE IRANIANS ARE SHOWING INTEREST AND THE PROJECT IS PROCEEDING. THE NECESSITY TO CONSIDER AND EXPLORE THE NEXT STEPS OF THE PROJECT IS BECOMING VERY APPARENT. GIVEN THE INTEREST SHOWN TO DATE, IT IS QUITE CONCEIVABLE THAT THE IRANIANS WILL WANT TO MEET WITH M. PREPARING FOR SUCH AN EVENTUALITY, C/O ASSURED M THAT EVERY POSSIBILITY WILL BE EXAMINED WITH REGARD TO ANY DIRECT CONTACT WITH THE IRANIANS. AS SUCH, REQUEST AN UPDATE ON THE PROJECT'S PROGRESS FROM THE HQS STANDPOINT.

6. M ONCE AGAIN NOTED HIS CONCERNS ABOUT THE LEVEL OF SCRUTINY THE IRANIANS WILL PLACE UPON M AND HIS BACKGROUND NOTED IN THE RESUME. C/O EXPLAINED TO M THAT WHAT WILL TRANSPIRE IS A BUSINESS DEAL FROM WHICH THE IRANIANS SHOULD BE MORE INTERESTED IN WHAT M HAS TO OFFER AS OPPOSED TO PERSONAL CREDENTIALS. M CAN ALWAYS INDICATE A DESIRE TO PEDDLE HIS WARES TO ANOTHER INTERESTED PARTY. C/O IS PLEASED AT THE LEVEL OF EFFORT BEING PUT FORTH BY M. HE HAS CERTAINLY IMMERSED HIMSELF IN THE PROJECT AND IS FOR THE MOST PART MAKING APPROPRIATE DECISIONS. THOUGH M IS SOMETIMES A LITTLE OVER SURREPTITIOUS, AS NOTED IN THE ABOVE EMAIL RESPONSE, C/O DOES NOT BELIEVE THAT HE HAS REACHED A LEVEL AS TO RAISE POSSIBLE IRANIAN CONCERNS.

7. FINANCIAL MATTERS: AFTER SUBSTANTIVE DISCUSSION ON THE PROJECT, C/O HAD TO INFORM M THAT THE BALANCE OF HIS 1998 SALARY IS USD 55,000.00 AS OPPOSED TO USD 60,000.00. UPON HEARING THE AMOUNT, M THREATENED TO QUIT SINCE THE MONEY DISCREPANCIES SEEM TO CROP UP EVERY YEAR. C/O IMMEDIATELY CHALLENGED M ON HIS STATEMENT ASKING M IF HE WAS READY TO QUIT BASED ON A MERE USD 5,000.00 (ESPECIALLY IN LIGHT OF THE TOTAL AMOUNT OF HIS SALARY). C/O REQUESTED A POINT BLANK ANSWER FROM M ON WHAT HIS ACTIONS WILL BE. M CALMED DOWN AND SAID THAT HE IS WEARY OF THE SAME PAY DISCREPANCIES OCCURRING YEAR AFTER YEAR, BUT SAID THAT HE WILL NOT QUIT THE PROJECT. C/O

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TOLD M THAT THE REASON FOR THE DISCREPANCY WILL BE FOUND, AND THAT IT IS NOT BEYOND THE REALM OF POSSIBILITY THAT M HAS ALREADY BEEN PAID FOR ONE MONTH OUT OF '98 WHICH WOULD MAKE HIS '98 TOTAL USD 55,000.00. M THEN SIGNED A RECEIPT FOR USD 35,000.00. TO DATE, C/O HAS PAID M USD 55,000.00 REPRESENTING HIS 1998 SALARY.

8.

ALSO, REQUEST A STATUS
UPDATE ON AGMT PROCESSING FOR M/2'S FEB 1999 - JAN 2000 AGMT
PERIOD.

9. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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TOR: 131435Z MAY 99 CIA OFFICE #27084

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CITE 7084

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 05 APR 99 MEETING

REF: CIA OFFICE #2 7040 | 99 5037738 |

TEXT:

1. ACTION REQUIRED: NONE, FYI.
2. ON 05 APR 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT AN UPPER WEST SIDE RESTAURANT. DURING THE MEETING, M INDICATED THAT HE HAD NOT RECEIVED ANY ADDITIONAL RESPONSES FROM HIS MOST RECENT MAILINGS. C/O SCHEDULED THE NEXT MEETING FOR THE WEEK OF 24 MAY 99.
3. M PROVIDED C/O WITH COPIES OF THE LETTER THAT HE SUBMITTED A SECOND TIME PER REF. M EXPLAINED THAT FOR SECURITY REASONS, HE MAILED THE LETTER FROM NEW JERSEY. M ADDED THAT HE MAILED THE INITIAL SET OF LETTERS (PER REF) FROM CONNECTICUT AND NEW JERSEY. ON 3 MAY, M SENT AN EMAIL MESSAGE TO IRANIAN F) AT EMAIL ADDRESS NOTING THAT THE SECOND LETTER HAD BEEN MAILED AND THAT IT SHOULD BE EXPECTED THE WEEK OF 3 MAY AND REQUESTED CONFIRMATION OF RECEIPT. AS OF THE TIME OF THE MEETING, M HAD RECEIVED NO CORRESPONDENCE. M SAID THAT HE HAD SENT AROUND TWO OTHER INQUIRIES TO OTHER ADDRESSES FOUND ON THE INTERNET; ALL WITH NO RESPONSES. M PROVIDED C/O WITH COPIES OF THE LETTERS THAT HE SUBMITTED, INCLUDING AN ADDITIONAL LETTER. M SAID THAT HE WOULD LIKE C/O TO SEND THE LETTER EITHER VIA POST (M EVEN PROVIDED AN AIR MAIL STAMP) OR EMAIL FROM A DIFFERENT LOCATION SHOULD THE IRANIANS NOT RECEIVE HIS SECOND LETTER. C/O AGREED WITH M 'S LOGIC, BUT SAID THAT THE NECESSITY OF SUCH WILL BE WEIGHED DEPENDING ON THE IRANIAN RESPONSE.
4. C/O TOOK THE OPPORTUNITY TO CONGRATULATE M ON HIS FINE WORK AND NOTED THAT THE PACE OF THE PROJECT WAS GOING AT A COMFORTABLE LEVEL. THIS WAS MAINLY IN RESPONSE TO M 'S INQUIRY ABOUT WHAT THE NEXT STEP WILL BE SHOULD HE RECEIVE A RESPONSE FROM

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IRANIAN F OR THE DIVISION OF IRANIAN INSTITUTION 4 C/O EXPLAINED THAT EVERY ASPECT OF THE PROJECT HAS BEEN CONSIDERED AND THAT THE NECESSARY STEPS WILL BE TAKEN AS WARRANTED. C/O MENTIONED THAT M SHOULD BE PREPARED POSSIBLY TO TRAVEL AT SOME POINT TO MEET WITH SPECIFIC INDIVIDUALS WHO MAY BE INTERESTED IN WHAT M OSTENSIBLY WILL HAVE TO OFFER. (C/O HAS NOT MENTIONED SPECIFIC NAMES TO M WITH REGARD TO THIS ASPECT OF THE PROJECT IN AN EFFORT NOT TO GIVE M THE FEELING OF BEING RUSHED). C/O THEN MENTIONED TO M THAT AS THE PROJECT DEVELOPS, M SHOULD EXPECT A VISIT FROM MR. S. WHO WILL PROVIDE AN UPDATE ON THE DEFINITE DIRECTION OF THE PROJECT. M UNDERSTANDS THAT THERE ARE ASPECTS OF THE PROJECT THAT REQUIRE CERTAIN APPROVALS BEYOND THE PURVIEW OF C/O. M SAID THAT HE LOOKED FORWARD TO SEEING MR. S. ONCE AGAIN AND NOTED HIS OWN PLEASURE AT THE PACE OF THE PROJECT.

5. M CONTINUES TO SHOW AN EAGERNESS TOWARDS THE PROJECT AND HIS INTEREST IS CERTAINLY PIQUED AT WHAT THE NEXT STEPS WILL ENTAIL. WE BELIEVE THAT A VISIT BY MR. S. WILL BE A DEFINITE PLUS FOR M AND HIS ATTITUDE WITH REGARD TO THE PROJECT. BASED ON AN ANTICIPATED VISIT BY MR. S. C/O SCHEDULED THE NEXT MEETING FOR THE WEEK OF 24 MAY. C/O TASKED M TO CONTINUE HIS EMAIL EFFORTS AND EFFORT TO FIND INFORMATION ON OFFICIAL IRANIANS

6. FINANCIAL MATTERS: C/O PAID M USD 5,000.00 AS THE BALANCE OF HIS 1998 SALARY (USD 60,000.00). C/O BELIEVES THAT THE PREVIOUS CONFUSION WITH REGARD TO THE AMOUNT OF M 'S 1998 SALARY WAS BASED ON THE FACT THAT HIS AGMT SPANS A FEB - JAN TIMEFRAME WHICH IS SOMEWHAT DIFFERENT FROM THE NORMAL FISCAL YEAR TIMEFRAME OF JAN - DEC. WHATEVER THE REASON FOR THE PREVIOUS DISPARITY, IT IS NOW SETTLED AND M IS SATISFIED THAT HE HAS RECEIVED ALL OF HIS 1998 SALARY. C/O TOLD M THAT HIS AGMT WILL BE READY FOR SIGNING DURING THE NEXT MEETING. WITH REGARD TO THE AGMT, M REQUESTED THAT THE LANGUAGE OF THE AGMT BE CHANGED TO NOTE THAT HE DOES "COMPUTER CONSULTING" WORK FOR THE USG. M EXPRESSED CONCERN ABOUT WHAT SHOULD HAPPEN IF HIS AGMT IS EVER DISCOVERED BY SOMEONE AND HOW HE WOULD BE ABLE TO EXPLAIN HIS WORK FOR THE USG. C/O SAID THAT M SHOULD NOT WORRY ABOUT HIS CONTRACT EVER SURFACING OUTSIDE OF CIA

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